

the permanent debt to ,£9,375,027, exclusive of various advances of a different character which had been repaid.

The South Sea Company¹ was essentially a Tory institution and they proposed as early as 1717 to increase their capital from £10,000,000 to £12,000,000 for the purpose of wiping out the debt due the Bank of England and several minor obligations. The bank made counter propositions, but the real contest occurred in 1719 and 1720 over the proposition of the South Sea directors to assume the entire national debt. It was estimated at £30,981,712 and was to be consolidated into one fund, to be added to the capital of the company at five per cent, interest annually. The company proposed to pay a bonus of £3,500,000 to the government in four instalments, beginning in 1721. The bank met this remarkable proposition by an offer of its own to assume the entire debt on terms which were calculated to be about £2,000,000 more advantageous than those of their rivals. The South Sea Company obtained three days to amend their offer and increased the bonus to £7,567,500. The bank rejoined with another offer of ;£ 1,700 in bank stock for every annuity of ;£100 for ninety-six and ninety-nine years and the reduction of the interest on the consolidated debt after June 24, 1727, to four per cent.

The South Sea bill passed the House of Commons April 2, 1720, by a vote of 172 to 55 and passed the Lords by a vote of 83 to 17.¹ The South Sea stock was forced upward to a preposterous figure under the influence of the same fever of speculation which raged at about the same time in France over the Mississippi scheme, but capital was soon sunk in this and other unproductive enterprises and the reaction wrecked the credit of the company and came near wrecking that of the bank. The directors of the South Sea Company appealed to the bank for help, goldsmiths and private bankers began to fail, and a run upon the bank itself began, which was only staved off by payments in light sixpences and shillings and by engaging men to fill up the line, draw

¹ MacLeod, Theory and Practice of Banking, L, 496-99.